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SERVING OVER 330,000 MEMBERS

July 2011



Legislative Update

By Lindy J. Beale, Legislative Counsel

As reported in the May issue of the *Advisor*, Act 2011-27 eliminated new enrollments in the Deferred Option Retirement Plan (DROP) very early in the session. Members currently participating in DROP will not be affected by the new law, unless they continue to work after their DROP participation period. At that time, the interest earned on their accounts will be the lesser of 4% or what the RSA earned the previous year on its investments.

Active members' paychecks will feel the effects of the session. Pursuant to Act 2011-676, members will have an additional 2.5% deducted from their paychecks by October 1, 2012. Regular state employees and public education employees will pay 7.25% in retirement contributions beginning October 1, 2011, and 7.5% beginning October 1, 2012.

Law enforcement officers, correctional officers, firefighters, as well as judges, will pay 8.25% in retirement contributions beginning October 1, 2011, and 8.5% beginning October 1, 2012. Members of the state police plan are not included in this legislation and will not see an increase in their retirement contributions. Also, local agencies participating in the ERS are not mandated to increase member contributions, but may elect to do so.

Members retiring after December 1, 2011, could also be paying vastly more for their health insurance due to passage of Act 2011-704 (PEEHIP – education employees) and Act 2011-698 (SEIB – state employees), depending on their age and years of service. For PEEHIP members, these changes are discussed in detail in the enclosed *PEEHIP Advisor*. ■

Thanks to the Garden State: Wealthy States Foot the Bill for Alabama's Fiscal Conservatism

Editorial, *The Anniston Star*

As shocking as this may sound, Alabamians owe a hearty thank-you to the taxpayers of New Jersey.

New Jersey, famous as the home of Frank Sinatra, Bruce Springsteen and the cast of MTV's "Jersey Shore," is also the place where taxpayers get the least in return for their

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Legislators Depart Montgomery

By David G. Bronner

For those of you who voted for change with the 2010 elections – you got it! Current retirees and state police were spared, but everyone else was hit hard. I have said for decades that the RSA cannot get involved in the political election process because our 330,000+ members are split between the two parties with a mere ten percent going one way or the other in any given election. However, I have always asked you to be informed and quiz your state senator and representative on their position regarding the RSA and your benefits.

When I was given the opportunity to lead the RSA, a total of \$500 million in assets had been accumulated from 1939-1973. The first six months of this fiscal year, the RSA had \$2.65 billion in investment income earnings and \$27.8 billion in assets.

The RSA has performed above average in fixed income (bonds, mortgages, etc.), which is approximately 25% of the investment portfolio. Performance has been near the national average for decades in domestic and international stocks, which make up 60-65% of the portfolio. About 15 years ago, I began using about 10-12% of our funds to invest in Alabama. Doing that puts an extreme amount of pressure on the RSA investment staff. But as I have always said, "If we do not invest in Alabama, who will?" The result is that most of the major projects and employment in Alabama over the last 15 years have some type of RSA connection.

The last legislative session was an attack on RSA and its members. Unfortunately, some of the attacks were justified. The RSA has asked for years that when members received a raise to contribute a portion of that raise to help fund pensions and health care. Consequently, after three years of no raises, the hammer fell.

We are Alabama – the rich, the poor, the Republicans, the Democrats. If Alabama is going to repeat the success of the last 15 years, we must work together and not be so divided as to hurt ourselves, our children, and the state's image. Never forget that we must compete every day not just with other states, but the world.

Many thanks to all of you for your strong support in voicing your opinion to your legislators regarding the RSA Boards of Control. Changing the RSA Boards of Control to political appointees will have a devastating effect on the RSA. It potentially opens the funds to criminal activities like those that have occurred in Illinois, New York, and California – much less looking back at some of the past Alabama governors, who would have used the RSA as their political piggy bank. ■

Could Bronner Build A Hotel in St. Stephens?

By Jim Cox, Publisher *South Alabamian*

It wasn't too many years ago when the lower end of downtown Montgomery was a desolate place, somewhere you probably didn't want to visit in the daylight and you certainly didn't want to visit after dark.

There were empty storefronts and little to attract people.

Little by little, though, the area along Commerce Street started to make a comeback. The first effort at revitalization was the old Union Station. Then the *Montgomery Advertiser* relocated to the area and a nice Embassy Suites was built that drew some conventions and business meetings.

Montgomery got a minor league baseball team, named, for what reason I've never understood, the Biscuits and a nice stadium, Riverwalk Stadium, was built in the downtown area for the team.

Little by little, other improvements were made. Troy University has a nice downtown campus and the old Davis Theater was renovated for a performing arts center. The Rosa Parks Museum is a tribute to the lady who refused to give up her seat on a Montgomery bus and was a catalyst that started civil rights reforms in Alabama. Everyone needs to see it.

Probably what really jump started downtown though was the Retirement Systems of Alabama's decision to build

a \$150 million, 347-room luxury hotel downtown. The Renaissance Hotel and Spa at the Convention Center is connected to the civic center, which underwent extensive renovations when the hotel was built.

Dr. David Bronner, head of the RSA, is to be credited for the hotel and, by extension, the downtown revitalization.

Bronner had RSA's millions at his disposal but more importantly he had the courage, the vision and the guts to step out. He had already done the same on the Robert Trent Golf Courses and accompanying hotels across the state and they have proven to be popular with golfers from around the country.

The RSA has also lent its aid to Mobile, building the new RSA Tower there downtown and renovating and reopening the adjacent Battle House Hotel, a Mobile landmark.

It is downtown Montgomery though where the transformation has been the most dramatic.

A person whose office is downtown said that just a few years ago, security guards were on hand to walk employees to their cars if they had to work late. If you wanted to grab lunch, you had to get in the car and leave the area. Now, the individual noted, there are a number of places to eat and other amenities in the area as well.

I've been to Montgomery several times in the last few years but a couple of weeks ago, when the Alabama Press Association held its winter convention there, was the first time for me to visit the Renaissance and to see the changes up close.

The hotel is one of the nicest I've ever stayed in. The rooms are huge. Ours faced the Alabama River. I could see Union Station, the new Riverfront Amphitheater and the Riverwalk Stadium.

The bathrooms were even impressive. There's not only a tub but a separate large tiled shower.

Convention food is usually nothing to brag about but the food was the best I've ever had at a convention.

In addition, the hotel's restaurant, The House, had some delicious menu items. Nearby downtown was a Wintzell's, a Dreamland Barbecue and other nice restaurants and night spots.

The hotel and nice downtown area is drawing a lot of convention business. Too, the convention center with a variety of events, the baseball stadium, the museums and more, all within easy walking distance of downtown, is drawing people as well.

David Bronner is right in that tourism and recreation is a popular draw and can boost the economy just as much, sometimes more, than a big new factory. . . . ■

Property Taxes

Source: Alabama Center for Real Estate

According to a study posted by **Housingeconomics.com** on residential real estate tax rates, Alabama has the second-lowest property taxes in the nation and the third-lowest effective property tax rates in the nation.

The study uses data from the 2009 American Community Survey to estimate tax rates for US states and metropolitan areas.

The state of Alabama has a median effective property tax rate of 3.33 (i.e. \$3.33 per \$1,000 of property value), well below the national median of 10.35. Alabama's median value of real estate

tax is \$398, whereas the national median is \$1,917.

The states with the lowest effective property tax rates are Louisiana (which also has the nation's lowest property tax values) and Hawaii, which have median effective property tax rates of 1.79 and 2.56, respectively. New Jersey has the highest median effective property tax rate of 18.89. Overall, the southern and western regions of the country have relatively low property tax rates, whereas the Midwestern and northeastern regions of the country have relatively high property tax rates. ■

U.S. DEFENSE BY THE NUMBERS

	2010 (Billions)	CHANGE FROM 2000
Total Defense Budget:	\$713 B	81% ▲
Operations & Maintenance:	\$301 B	94% ▲
Military Personnel:	\$158 B	48% ▲
Procurement:	\$140 B	103% ▲
Research & Development:	\$83 B	70% ▲
Military Construction:	\$24 B	255% ▲
Revolving & Management Funds:	\$4.9 B	17% ▲
Family Housing:	\$2.5 B	-45% ▼

ABOVE FIGURES ARE IN CONSTANT DOLLARS. STOCK CHART PRICES AS OF APR. 29. SOURCES: DEPARTMENT OF DEFENSE ATLAS/DATA ABSTRACT FOR THE UNITED STATES; INTERACTIVE DATA VIA FACTSET RESEARCH SYSTEMS; NATIONAL DEFENSE BUDGET ESTIMATES FOR FY 2012 (THE GREEN BOOK); USAID FOREIGN ASSISTANCE DATABASE.

contributions to the federal till.

According to the Tax Foundation's analysis of 2005 data, New Jersey residents receive 61 cents for every \$1 paid in taxes. Near the other end of the spectrum, sits Alabama, whose residents see a return of \$1.66 for every \$1 dollar paid in federal taxes. (As a Tim Lockette article in *The Star* pointed out, New Mexico was the leader, receiving more than \$2 for every \$1 paid.)

While the Tax Foundation's numbers are dated and a reliable formula for accounting for corporate taxes is tricky, the basic equation is rock solid. Membership in that club known as the United States has serious benefits for Alabama, not the least of which is a handsome return on the amount of taxes paid by Alabamians.

New Jersey and other states getting less than a dollar-for-a-dollar swap of tax money are therefore paying for fiscal conservatism of Alabama and other states.

As a state that prides itself on good

manners, the least Alabama could do is thank prosperous states for footing the bill.

This is no call for Alabama to fully live down to its miserly fiscal conservatism. Instead, it's time for a reckoning.

A well-functioning state government requires money. The duty of protecting and improving the lives of a state's residents can be done with greater efficiency, but not with less money than Alabama spends. Somebody has to foot the bill. In Alabama, we require less of our residents and rely more on wealthy residents of New Jersey, California and others with a substantial tax base.

Well, we did.

The great recession, the inevitable drying up of tax revenue and the growing national debt is making it hard on states like Alabama. Under the banner of the "tea party," a conservative movement is hoping to turn more of the United States toward Alabama's version of budgeting on the cheap: low and unfairly applied taxes and skimpy spending.

As the fiscal pain trickles down, Alabama, which has been throwing an extended tea party for decades, is hurting.

The dollars the state had relied on others to provide are shriveling up. State officials are swinging the budget ax with reckless disregard. The cuts are hitting not luxuries and frills, but the basics, the very reasons for a state to exist.

One of the most short-sighted cuts would be if the state carries through with its plan to close the crime lab in Anniston. Sources told *The Star* the facility doesn't pay rent or utilities; its expenses amount to \$100 a month.

Ask Montgomery's policymakers the obvious question of raising more revenue and the response is a metaphorical pat. The people of Alabama are tired of taxes, comes the reply.

Don't bother pointing out Alabama is one of the least taxed states in the land. Inconvenient facts like these only get in the way. As they say in Jersey, "Fuggedaboutit." ■

Financial Self-Defense Tips

Senior Security

By Joseph Borg, Director ASC

As our country's over-50 population swells, the Alabama Securities Commission (ASC), and other state securities regulators see tragic cases involving senior investors who have been cheated out of their "nest eggs" by deceitful salespeople who use seniors' uncertainty about their financial futures to promote unsuitable and fraudulent investment opportunities. These "opportunities" often promise or guarantee unrealistically high returns over a relatively short time.

The admonition, "If it sounds too good to be true, it probably is," is more true today than ever before, and an investment opportunity with high returns and low risk is very unlikely. If you decide to explore investments as a way to bolster your nest egg, the first line of defense against possible fraud is to act as your own financial watchdog.

A good rule-of-thumb is, if you don't understand an investment product, don't buy it! That's why senior investors should always investigate before they invest. To avoid having your egg turned into a goose egg. The ASC recommends these financial self-defense tips.

- Stay in charge of your money. Be skeptical of anyone who urges you to leave everything in his or her hands.
- Don't become a courtesy victim. Con artists will attempt to exploit your good manners. Be prepared to tell a stranger offering too-good-to-be-true investment opportunity, "No. I'm not interested."

- Don't let a stranger prey on your fears. Con artists will probe to find what's important to you and will attempt to manipulate your anxieties through high pressure or persuasive sales pitches.
- Avoid pushy salespeople. No reputable investment professional should pressure to "act now," before you do due diligence. If it's such a good deal today, it will be a good deal later – after you've had a chance to check and verify.
- Beware of anyone touting exotic deals. Say "no" to anyone promoting highly-complex investment techniques to achieve unusual success, especially if they can't fully explain the risks.
- Monitor your investments and ask tough questions. Keep close tabs on how your money is invested. Always ask for regular written performance updates. Never be afraid to ask, "How will this opportunity you're offering be suitable for my long-term financial needs?"

Before you part with your hard-earned money, contact the ASC at 800.222.1253 to determine if the investment is registered and if the person or firm making the offer is registered, as required by the Alabama Securities Act. ■

ENJOY YOUR SUMMER
A Special Deal
FOR RSA MEMBERS

**The Battle House,
A Renaissance Hotel – Mobile – \$99**

• July 3–6, 10–16
• August 7–15, 19–24 • September 1–8, 13–18, 24–26

**The Renaissance Riverview Plaza –
Mobile – \$89**

• July 3–6, 10–16
• August 7–15, 19–24 • September 1–8, 13–18, 24–26

Marriott Grand – \$99 plus a 15% resort fee

• July 4–7, 17–20, 27–28, 31
• August 10–11, 14–18, 21–25 • September 1, 5–10, 20–27

Marriott Grand – RSA Golf Package – \$169

Ask for code – LOCD

Includes: Deluxe Room, One Round of Golf for Two People.
Call for Tee Times after booking package

• July 4–7, 17–20, 27–28, 31
• August 10–11, 14–18, 21–25 • September 1, 5–10, 20–27

Marriott Shoals – Florence – \$89

• July 5–7, 17–18, 31
• August 3, 7–9, 30 • September 5–6, 11–13, 18

Renaissance Ross Bridge – Hoover – \$99

• July 4–7, 10–15, 17–21, 24–28, 31
• August 1–4, 7–11, 14–18, 21–25, 28–31
• September 1, 5–8, 11–15, 21–22, 25, 28–29

Opelika Marriott – \$89

• July 1–11, 16–20, 24–25, 27–31
• August 1–3, 7–8, 12–21, 26–31
• September 1, 4–6, 11–18, 25–29

Prattville Marriott – \$89

• July 1–14, 17–24, 29–31
• August 1, 5–7, 10–14, 19–24, 26–27
• September 2–5, 19–21, 24, 29–30

Renaissance Montgomery – \$99

• July 1–11, 16–17, 22–23, 29–31
• August 4–5, 11–14, 21, 26–27
• September 1–5, 9–11, 16–19, 22–25, 29–30

RSA Spa Package – \$159

Ask for code – LOCD Includes Deluxe Room
• July 5–7 • August 4, 11 • September 1, 22, 29

*Rates available the 1st of the month
and are not applicable to groups.*

Code: RABM, 800-228-9290

Internet promo code: R2A on marriott.com

Book Online and Save RSA \$4.

Weight Loss

Trading a Beer Gut for Brainpower

Source: *The Associated Press*

Want to improve your memory and concentration? Try losing a few pounds.

In a study involving 150 overweight or obese participants, scientists found that those who lost weight after bariatric surgery saw improvement in their scores on tests of recall and attention 12 weeks later. Scores for volunteers who did not undergo gastric bypass or banding actually dropped over the course of the study. The findings confirm the growing body of evidence linking obesity to cognitive deficits and conditions such as Alzheimer's disease, dementia, and stroke. Indeed, at the start of the trial, 25% of the volunteers already showed impairments in learning.

Why would body weight have anything to do with brain function? It turns out obesity affects a number of metabolic pathways, including those that keep brain cells nourished with oxygen and other nutrients. That's why study investigators are eager to see if the same cognitive benefits occur in people who shed weight through exercise – even without surgery. Until then, it's clear that a healthy weight is good for both body and mind.

WANT TO HELP?

A FREE Car Tag



Alabama Tourist Department advertise "Alabama's Robert Trent Jones Golf Trail" on your front bumper? If so, call to request a tag at 334.517.7000, or 877.517.0020, or write:

Tag

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Report—Street Lights that are out—to the Power Company!
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